

REBUILDING COMMUNITIES TAX CREDIT PROGRAM

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

To stimulate business activity in Missouri's "distressed communities" by providing tax credits to eligible businesses that locate, relocate or expand their business within a distressed community.

AUTHORIZATION

Section 135.535, RSMo.

ELIGIBLE AREAS

Distressed Communities only. For a list of cities and census block groups that are "distressed communities," visit DED's web site or call 573-751-0717.

ELIGIBLE APPLICANTS

- ✓ Must have more than 75% of its employees at the facility in the distressed community.
- ✓ Must have fewer than 100 employees total at all facilities nationwide (before commencing operations or relocating).
- ✓ Primarily engaged in manufacturing, biomedical, medical devices, scientific research, animal research, computer software design or development, computer programming (including Internet, web hosting, and other information technology), telecommunications (wireless, wired or other), or a professional firm.

HOW THE PROGRAM WORKS

Categories of Business:

New or Relocating Businesses

Eligible new or relocating businesses may choose one of the 40% Tax Credits and the employees may receive the 1.5% Employee Tax Credit.

Existing Businesses

Eligible businesses already located in a distressed community may be eligible for the 25% Equipment Tax Credit. Existing businesses that double the number of full time employees in the distressed community from the previous year, may choose one of the 40% Tax Credits.

Tax Benefits Available:

40% Income Tax Credit:

State tax credit based on 40% of the amount of state income tax owed by the business.

40% Equipment Tax Credit:

State tax credit based on 40% of the amount of funds expended for computer equipment and its maintenance, medical laboratories and equipment, research laboratory equipment, manufacturing equipment, fiber optic equipment, high speed telecommunications, wiring or software development expense in the calendar year.

1.5% Employee Tax Credit:

Employees of an eligible business may receive a tax credit against state individual income tax equal to 1.5% of their gross annual salary paid at the project facility. The business must receive one of the 40% Tax Credits each year for the employees to be eligible for this credit.

25% Equipment Tax Credit:

State tax credit based on 25% of the amount of funds expended for eligible equipment in a taxable year that exceeds the average of the prior two years' expenditures for such equipment. Eligible expenditures are computer equipment and its maintenance, medical laboratories and equipment, research laboratory equipment, manufacturing equipment, fiber optic equipment, high-speed telecommunications, wiring or software development.

ELIGIBLE USE OF TAX CREDITS

The 40% Income Tax Credits and the 25% and 40% Equipment Tax Credits can be applied to:

- ✓ Ch. 143 – Income tax, excluding withholding tax
- ✓ Ch. 147 – Corporate franchise tax
- ✓ Ch. 148 –
 - ✓ Bank Tax
 - ✓ Insurance Premium Tax
 - ✓ Other Financial Institution Tax

And have these special attributes:

- ✓ Carryback 3 years
- ✓ Carryforward 5 years
- ✓ Sellable or transferable

The 1.5% Individual Tax Credit can be applied to:

- ✓ Ch. 143 – Individual income tax

And has this special attribute:

- ✓ Sellable or transferable

APPLICATION PROCEDURE

- ✓ New or relocating businesses should submit a Pre-Application to DED prior to commencing operations in the distressed community.
- ✓ Businesses applying for the 25% Equipment Tax Credit should submit a Pre-Application for each year that they intend to request tax credits.
- ✓ Applications for tax credits must be submitted to DED prior to February 15th of the calendar year following the year in which the credits were earned.
- ✓ Tax credits will be issued on a first-come, first served basis.

FUNDING LIMITS

Program Limit:

- ✓ All credits: \$8 million/year
- ✓ 25% Equipment Tax Credits: \$750,000/year

Per Business Limit:

- ✓ 40% Income Tax Credit: \$125,000/year
- ✓ 25% and 40% Equipment Tax Credits: \$75,000/year

Eligibility Period:

- ✓ 40% Equipment Tax Credit: Year of commencement of operations plus three calendar years thereafter
- ✓ 40% Income Tax Credit: Three tax years after commencement of operations
- ✓ 1.5% Employee Tax Credit: Three tax years after commencement of operations

SPECIAL PROGRAM REQUIREMENTS

A business can only earn the 40% Tax Credits under this program for one eligibility period.

No business can earn credits under this program if earning Missouri Quality Jobs, Enterprise Zone, Enhanced Enterprise Zone, Business Facility or

Brownfield Jobs and Investment Tax Credits for the same project for the same tax period. If a project is eligible for more than one such program, the business must choose only one program.

CONTACT

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ADDITIONAL RESOURCES

Visit the department's home page at www.missouridevelopment.org to obtain a wealth of information regarding Missouri's many other economic development programs and policies.